



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

July 14, 2006

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

**ISSUANCE OF LEASE BY DIRECT NEGOTIATION TOGETHER WITH A
RIGHT-OF-ENTRY TO PARADISE INN HAWAII, LLC, DBA TSUKIJI FISH
MARKET RESTAURANT, PARCEL 6, DOMESTIC COMMERCIAL FISHING
VILLAGE, PIER 38, HONOLULU HARBOR, OAHU**

LEGAL

REFERENCE: Sections 171-11, 35, 36 and 59 (b) Hawaii Revised Statutes.

APPLICANT: Paradise Inn Hawaii, LLC, dba Tsukiji Fish Market Restaurant, whose mailing address is P. O. Box 25367, Honolulu, Hawaii 96825

LOCATION: Parcel 6 of the Domestic Commercial Fishing Village, Pier 38, Honolulu Harbor, Oahu, Tax Map Key No: 1st/1-5-42 (Portion), as shown on the attached Exhibit "A".

STATUS: Governor's Executive Order Nos. 1346 and 4092 to the Harbors Division, Department of Transportation.

AREA: Approximately 15,040 square feet, more or less.

ZONING: State Land Use Commission: Urban
City and County of Honolulu: I-3 (Waterfront Industrial)

LAND TITLE

STATUS: Subsection 5(a) of the Hawaii Admission Act, non-ceded.

**CHARACTER
OF USE:**

Construction, installation, operation, use, maintenance and repair of improvements necessary for the storage, processing, and wholesale distribution of seafood products and ancillary services and products, including, but not limited, to the operation of a seafood restaurant, and retail sales of seafood products and produce.

TERM:

Thirty-five (35) Years, the commencement date to be determined by the Director of Transportation.

LEASE RENTAL:

Subject to the waiver of lease rental provided below, the annual base rental for the first twenty-five (25) years of the lease term, as determined by independent appraisal, shall be as follows:

Years 1 through 5	\$42,111.76
Years 6 through 10	\$48,428.52
Years 11 through 15	\$55,692.79
Years 16 through 20	\$64,046.70
Years 21 through 25	\$73,653.70
Years 26 through 35	Rental Renegotiation

The annual rental for each five (5)-year periods for the first twenty-five (25) years of the lease is based on a 115% increase of the last year of the previous five (5)-year period.

In addition to the above annual base rental, the applicant is required to pay the common area maintenance fees estimated at 14 cents per square foot per month for the calendar year 2006.

**WAIVER OF
LEASE RENTAL:**

The provisions of the lease require the lessee to make substantial improvements to the premises, in an amount not less than \$2,000,000.00, including, without limitation, constructing and installing all interior utility lines, equipment and appurtenances necessary for the purpose of the lease. As a result, the lessee's obligation to pay rent to the State during the period of such construction shall be waived for a period not to exceed one year, and the waiver of rental shall terminate as of the date the lessee occupies the premises and commences operations.

**CHAPTER 343,
ENVIRONMENTAL
ASSESSMENT:**

The Harbors Division had both Draft and Final Environmental Assessments done for the Domestic Commercial Fishing Village Project, and a Finding of No Significant Impact was found for the project in June of 1998. The subject lease falls under the aforementioned Environmental Assessments.

REMARKS:

Due to the length of time it now takes applicants to obtain the necessary permits/approvals for the construction of leasehold improvements, staff is recommending pending the execution of the 35-year lease, issuance of a right-of-entry to conduct all preliminary work needed to obtain all required permits/approvals.

The lease, by direct negotiation rather than by public auction, is appropriate in this instance in order to provide the applicant a facility wherein they would be able to continue the close association necessary for convenient and efficient processing of fresh fish. Concurrent to this objective is the desire to consolidate major commercial fishing activities in a modern and more efficient environment where the complete range of seafood processing can be accomplished.


The lease for Parcel 6 of the Domestic Commercial Fishing Village will be submitted to the Department of the Attorney General for review and approval as to form.

RECOMMENDATION: That the Board:

1. Authorize the issuance of a right-of-entry to the Applicants, together with its consultants, contractors and sub-contractors, to the proposed leasehold lot for the purposes of performing a site environmental assessment, related environmental work and remediation work, if necessary together with all preliminary work needed to obtain all required permits for the leasehold improvements on the subject site and further subject expiration within six (6) months of its issuance or upon execution of the subject lease, whichever occurs sooner,

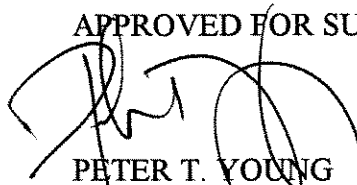
2. Authorized the issuance of a lease by direct negotiation to the applicant, subject to the terms and conditions outlined above and incorporated herein by reference and such terms and conditions as may be prescribed by the Director of Transportation.

Respectfully submitted,



RODNEY K. HARAGA
Director of Transportation

APPROVED FOR SUBMITTAL:



PETER T. YOUNG
Chairperson and Member

DOMESTIC COMMERCIAL FISHING VILLAGE PROJECT MAP

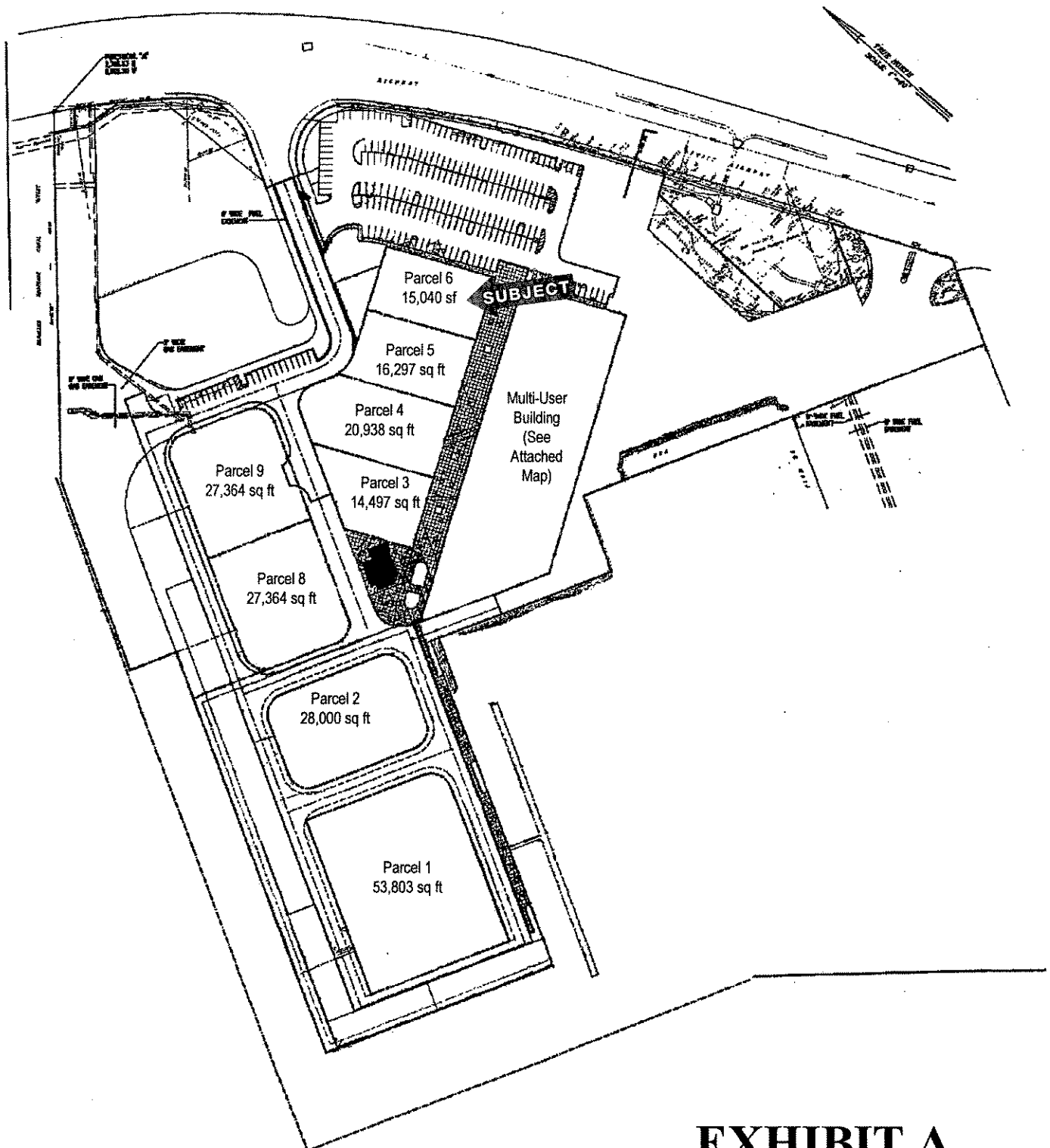


EXHIBIT A